

RESOLUTION NO. -10

A RESOLUTION TO ADOPT THE CITY OF WHEATLAND'S
INVESTMENT POLICY FOR FISCAL YEAR 2010/2011.

WHEREAS, the State of California Government Code Section 53600 defines the authorized investments for the investment of surplus funds of local agencies including Cities; and

WHEREAS, the City of Wheatland has defined investment goals and policies through the "City of Wheatland Investment Policy" that was last adopted through resolution 09-09 on July 14, 2009; and

WHEREAS, the State of California Government Code Section 53646 encourages the treasurer to annually submit a written statement of investment policy to the City Council and that it be considered at a public meeting.

NOW, THEREFORE BE IT RESOLVED BY THE COUNCIL OF THE CITY OF WHEATLAND that exhibit "A" attached hereto is hereby adopted as the City of Wheatland's Investment Policy for fiscal year 2010/2011.

ADOPTED as a Resolution of the City Council of the City of Wheatland at a meeting thereof held on the 13th day of July, 2010, by the following vote:

AYES: Council Member
NOES: Council Member
ABSENT: Council Member
ABSTAINING: Council Member

By: _____
Enita Elphick, Mayor

ATTEST: _____
Lisa J. Thomason, City Clerk

" Exhibit "A
City of Wheatland Investment Policy

I. **PURPOSE**

This policy is intended to establish cash management and investment guidelines for the City Treasurer who is responsible for the City's pooled investments. The ultimate goal of these guidelines is to protect the economic status of the City and the principal of its investments while enhancing its pooled cash reserves and meeting the daily cash flow needs of the City.

II. **OBJECTIVE**

It is the policy of the City to invest public funds in a manner which will provide the maximum security of principal, meet the daily cash flow demands of the City and provide the highest investment return while conforming to all state statutes governing the investment of public funds. The City's cash management system will be maintained to accurately monitor and forecast expenditures and revenues, thus enabling the City to invest funds to the fullest extent possible.

III. **SCOPE**

This investment policy applies to the investment of all financial assets included in all accounting funds of the City.

IV. **POLICIES**

A. General Rule: The standard of prudence to be used by the City Treasurer when managing the City's investments shall be the "prudent investor" standard. The Treasurer shall use care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the City, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the City.

The Treasurer when following the provisions of this investment policy and having exercised due diligence shall be relieved of personal responsibility for a security's credit risk or market price risk, provided that the Treasurer reports substantial deviations from expectations to the City Manager in a timely manner, and that they take appropriate action to control adverse developments. Substantial deviations" shall be defined as either a decline of 10 percent or more in the market value of a security due to issuer default or a credit risk downgrade; or the sale of a security prior to maturity at 10 percent or more below its acquisition cost.

B. The three criteria for selecting investments in priority order, of the City's investment activities shall be Safety, Liquidity and Yield.

1. Safety of principal: The safety and risk associated with an investment refers to the potential loss of principal, interest, or a combination of these amounts. The City only utilizes investments that are considered very safe. Safety of principal shall be the foremost objective of this investment policy. Investments shall be made with the aim of avoiding capital losses due to issuer default; broker-dealer default; or market value erosion. Principal shall be preserved by mitigating:

- a. Credit Risk, the risk of loss due to the failure of the issuer of the security, shall be mitigated by investing in only the highest quality securities; by diversifying investments; and by pre-qualifying broker-dealers and public depositories; and
- b. Market Risk, the risk of loss due to a decline in bond prices because of rising market interest rates, shall be mitigated by structuring the portfolios so that issues mature concurrently with the City's anticipated cash requirements, thereby eliminating the need to sell securities prematurely on the open market.

2. Liquidity: This refers to the ability to convert an investment to cash at any moment in time with a minimal chance of losing some portion of principal or interest. An adequate percentage of the City's portfolio shall be maintained in investments that can be converted to cash if necessary to meet disbursement requirements without loss of principal or without incurring penalties.

3. Yield or Return on Investments: This is the potential dollar earnings an investment can provide, and sometimes is described as the "rate of return". Yield is a consideration in investment decisions only after the requirements of safety and liquidity have been met.

C. Quotes: Investing decisions shall be made only upon the receipt of at least three quotes from different sources for investments that meet the current investment need. When purchasing new issue Securities of the U.S. Government and its Agencies, quotes from different brokers are not required.

D. Maturity of investments: The amount of investments with long-term maturities (maturities greater than a year) is to be based on the estimated cash flow needs of the City to assure that liquidity needs are maintained. Maximum maturities are as specified in Government Code Section 53601 and are currently 5 years remaining to maturity at the time of purchase. Maturities exceeding this maximum require authorization by the City Council prior to purchase.

E. Safekeeping: Securities owned by the City shall be held in a third party safekeeping account selected by the City. Said securities shall be held in the name of the City with the trustee executing investment transactions as directed by the City. As long as the securities are in the name of the City, under the control of the City and kept in a legally separate trust department, they can be held by the same firm from which they were purchased.

F. Use of Dealers/Brokers: When obtaining quotes as described in Part IV C., rates or investments available only by paying directly for the services of a dealer or broker can be considered. The decision criteria after meeting the Safety and Liquidity requirements is whether the yield after considering the cost of the services is higher than yields offered without the paid service.

The role of a dealer or broker is to facilitate the purchase or sale of investments. Actual decisions to buy or sell investments are to be made only by the City.

G. Diversification: The purpose of having diversification of investments is to reduce the overall portfolio risks. The portfolio should consist of a mix of various types of securities, issuers and maturities.

V. AUTHORIZED TYPES OF INVESTMENTS AND LIMITATIONS

The State of California Government Code Section 53600 et seq. defines the Investments allowed for city funds. The City further limits the authorized types of investments to the following.

A. United States Treasury Bills, Bonds and Notes: These investments are backed by the full faith and credit of the United States. The City will require safekeeping documentation of the treasury instrument in an acceptable safekeeping account in the City's name. There is no percentage limitation of the portfolio that can be invested in this category.

B. Securities of the U.S. government and its agencies. Examples of these securities include but are not limited to: Government National Mortgage Association, Federal National Mortgage Association, Federal Land Bank and Federal Farm Credit Banks and TVA bonds. There is no percentage limitation of the portfolio that can be invested in this category.

C. Local Agency Investment Fund (State Pool) demand deposits: The Local Agency Investment Fund, which is a State of California managed investment pool, may be used to the maximum amount per legal entity that is permitted by California Law.

D. Certificates of Deposit: Investments will be only in FDIC insured or fully collateralized certificates of deposit. Collateral may be waived for the first \$100,000 as this is insured by the Federal Deposit Insurance Corporation.

Collateral for a given investment must be 110 percent of principal for governmental securities collateral and 150 percent of principal for first mortgage collateral. Since time deposits are not liquid, no more than 30% of the portfolio may be invested in this investment type. Not more than 15% of the portfolio shall be invested in any one institution. An institution must meet the following criteria to be considered by the City:

The institution must maintain a net worth to asset ratio of at least 3.5 percent and a positive earnings record. The City will keep on file the most recent financial statements of the institution as verification of these standards. The City will not invest in any institution that has been in business for less than four years.

G. Passbook Savings Accounts / Money Market Fund Accounts:

Passbook savings or Money Market Funds accounts (MMF) may be maintained for general banking and short term investment purposes. A qualifying MMF must have: (1) total portfolio net assets of \$500 million or more; and (2) be rated in the highest categories of Moody's or Standard and Poor's, or must be administered by a domestic bank with long-term debt rated in one of the top two categories of Moody's or Standard and Poor's. The City shall require audited annual financial statements from each MMF in which it has monies invested. No more than 50 percent of the book value of the City's investment portfolio may be invested in MMFs.

H. Investment of bond proceeds: California Government Code allows greater flexibility with respect to the types of investments that can be made with bond proceeds. The authorized investments and terms for the investment of bond proceeds is to be governed by the bond indenture.

VI. PORTFOLIO MANAGEMENT STRATEGY

The intent at the time of purchasing investments is that they are to be held until maturity. However, during the life of the investment, if market opportunities allows an investment to be sold at a gain while providing an acceptable yield on the reinvestment of the funds, then an investment may be sold and a new investment made prior to the maturity of the original investment.

VII. AMOUNT TO BE INVESTED

The City will maintain a cash flow analysis to project the City's need for money. All money not required for immediate use will be invested to the greatest extent possible.

VIII. QUARTERLY REPORTING

City staff shall provide the City Council quarterly investment reports that

provide a clear picture of the status of the current investment portfolio and which are in accordance with Government Code Section 53646 (b)(1). The quarterly report shall include the following:

1. A listing of individual securities held at the end of the reporting period.
2. Yield to maturity of all investments listed.
3. Coupon, discount or earnings rate.
4. Par value, Amortized Book Value and Market Value.
5. A list of cash amounts in each City accounting fund that equals the total amount that the City has invested.

IX. INVESTMENT POLICY ADOPTION

The City of Wheatland's investment policy shall be adopted by resolution of the City of Wheatland's City Council. The policy shall be reviewed annually by the City Council and the Wheatland City Council must approve any modifications made thereto.